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# Snapper Card

## Information for retailers

Prepared by: New Zealand Retailers Association Inc – May 2008

**(This information has been updated 3 June 2008 – please refer to details at end of document).**

### 1. Background

A number of Wellington retailers will have recently been introduced to *Snapper Card* which is a new electronic payment tool which will shortly be available for use, primarily, on GO Wellington bus transport. It is similar to the Oyster Card in London and the Octopus Card in Hong Kong.

### 2. On the bus

Snapper is a contactless card which when passed over a host plate on the bus (on entry) pays for the minimum fare (one section). On departure from the bus the user again passes the card over the host plate and any balance owing is deducted.

### 3. At retailers

Because the card is a prepaid card, the promoters hope that retailers will also accept *Snapper Card* for other small value purchases.

The consumer having bought the card loads it up with any amount up to a maximum of \$300.00. The consumer can register the card and in future this will give some protection against loss or theft (any amount used from the card between loss and notification will be lost). (This feature is not available yet. For now, the loss of the card is like the loss of cash. So, for the time being people are unlikely to top up to the maximum allowable value).

### 4. The mechanics/cost

- a) From July 2008, a *Snapper Card* can be purchased at a participating retail outlet. The cost of the card is \$15.00 which is a one-off fee.
- b) The retailer who originally sells the card receives a one-off payment of \$1.50 per \$15.00 card.
- c) The consumer then loads any amount onto the *Snapper Card* up to a maximum of \$300.00.

- d) As the balance is reduced the card can be re-loaded. This can be done online or at a retail outlet with a Snapper terminal.
- e) From 1 October the consumer will be charged \$0.25c for topping up at a retailer. The retailer receives \$0.20 and Snapper \$0.05. This is equivalent to 1% for a \$20.00 top up and \$20.00 is the current average ten trip bus ticket price. The consumer can also top-up via the internet with their credit card.
- f) If the retailers agrees to accept the *Snapper Card* as a payment tool (in the same way that they accept cash, eftpos payments or credit card payments), there is a transaction fee payable by the retailer of 1%.
- g) The card offers a 20% discount off the cash price bus fare which is the same level of discount as the current 10 trip ticket. However, this does not allow for the .25c top-up fee referred to in paragraph 4.e above.
- h) The promoters are yet to implement a solution for monthly bus passes and the initial offering will be adult fares only. When monthly passes are available on *Snapper Card* the retailers authorised to sell New Zealand Bus monthly passes in Wellington will receive a 3% commission on those pass sales.
- i) The *Snapper Card* reader will fit onto an eftpos terminal so that Snapper transactions can go via the same route as ordinary debit/credit transactions. The transactions at this stage can only go through Eftpos NZ.
- j) There will be a capital or lease cost for the terminal but we understand that this will be free for the first six months. This is for both the Snapper reader and the eftpos terminal and available for merchants participating in the launch.

## 5. Comments

The product as a payment mechanism for paying bus fares is state of the art. Previous generations of chip card technology are in use on buses in other areas including the Hutt Valley, Auckland and Christchurch.

This will be very efficient when it comes to waiting times for passengers getting on /off buses

However, there are some issues that retailers need to be aware of and should consider before they become a *Snapper Card* retailer. We have simply identified what we believe these issues to be but the decision to go ahead lies with you the retailer.

- i) Currently retailers selling ten trip tickets receive 3% of the sales value. NZ Bus will cease issuing ten trip tickets in the months to come. With *Snapper Card* the retailer will receive \$1.50 when the card is first sold. If we take a two zone, ten trip ticket as the average purchase, the retailer would make the \$1.50 off the sale of 2 ½ ten trip tickets. If we were to assume that our two zone customer purchased 40 ten trip tickets per year, under the current system, the annual commission is \$24. If we were to assume the customer tops up weekly then the commission will be

\$9.50 annually (40 top ups @ \$0.20 and the initial \$1.50 for the sale of the card) for the re-loadable *Snapper Card*.

- ii) We understand that there will be a fee for the Snapper enhancement to the eftpos terminal. While this will be free for the first six months the purchase/rental price beyond this is not insignificant. (Estimated at around \$2.00 to \$3.00 per week, in addition to the cost of an eftpos terminal).

If the product has a high uptake rate (which will happen when the 10 trip ticket is discontinued), future additional sales of the card will be likely to be relatively low. Regular travellers will be early adopters and unless the card is lost or damaged, they will only ever top up or purchase other products but not re-buy a card.

The cost of the terminals after the first six months may have a very significant pay back period depending on your current eftpos terminal arrangement.

- iii) Initially the Snapper terminals will only work with Eftpos NZ terminals and as the ANZ Bank owns Eftpos NZ they will be the acquiring bank. While there is some indication that the ETSL/Paymark switch will carry these transactions at a future date, this timeframe is a considerable way off, requiring a retailer who wished to participate on launch of the product to have an Eftpos NZ solution in the interim.

We understand that currently Eftpos NZ carries around 20% of the electronic transactions. Therefore, up to 8 out of 10 retailers who are potential Snapper Card sales sites will currently be with another bank and their transactions will be routed via ETSL/Paymark.

All of these retailers will have existing contracts with their current providers which will probably have a range of anywhere from 'needing renewal' through to 3 years to go. In fact given all the recent changes in the terminal market those contracts are likely to be closer to the 3 years to go end of the scale.

Before making any decision on Snapper requiring a change in electronic transaction systems, retailers **must** review their existing contracts and consider all of the penalty clauses for early cancellation.

## 6. Non bus transactions

Snapper are keen to see their card used for other low value transactions. That is, transactions where the customer might use cash or eftpos (debit card).

There will be a transaction fee of 1% for Snapper transactions of this type. This would compare with no fee for an eftpos transaction or the cash handling fee and loss through theft for cash transactions. The *Snapper Card* is unlikely to be used instead of a credit card.

We would strongly debate the need for a 1% fee for these transactions. There is no credit risk (it is a prepaid card) and someone is earning significant interest off the value of the prepaid balance on the card. The transaction should go through the cheque or

savings button on the terminal or some other mechanism. There is no justification for the fee.

## Conclusion

- i) We believe the product has some real virtues and will present some real advantages to the bus user and the bus company owner.
- ii) We don't believe the financial model has been well thought through from a retail merchant perspective. Although the top up fee provides some revenue opportunity this may be negated by the 1% transaction fee to be paid by retailers, and the higher cost structure for terminals.

However, as we said at the outset we hope we have given you some issues to ponder, some questions to ask and some input for your decision.

New Zealand Retailers Association  
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The NZRA contact for further information on this release is Louise Evans.  
Email: [levans@retail.org.nz](mailto:levans@retail.org.nz)  
Ph: 04 473 2051 or 027 270 3555

**Update as at 3 June 2008** – since the publication of this document, we are pleased to advise that Snapper and EFTPOS NZ have made the following amendments to their offer to retailers:

- Existing Go Wellington bus agency retailers who accept Snapper at launch will now be offered a free Snapper terminal for 18 months (this is a further 12 months on top of the previous offer of 6 months referred to in the above document)

*Disappointingly however, the request for the removal of the 1% transaction fee paid by retailers on purchases made with the Snapper card has been declined.*